

**Ouray Park
Water Improvement District**

**FINANCIAL STATEMENTS
With Other Government Reports**
*For the Years ending
December 31, 2005 and 2004*

Ouray Park Water Improvement District

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AYCOCK, MILES & ASSOCIATES, CPAs, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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UTAH ASSOCIATION
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Independent Auditors' Report

To the Board of Directors
Ouray Park Water Improvement District
Randlett, Utah

We have audited the accompanying financial statements of the proprietary fund type activity of the Ouray Park Water Improvement District as of and for the years ended December 31, 2005 and 2004, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the proprietary fund type activity of the District as of December 31, 2005 and 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 19, 2006 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis on pages 5 through 8 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole of Ouray Park Water Improvement District for the years ended December 31, 2005 and 2004. The supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the audit procedures applied in the examination of the basic financial statements, and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Aycock, Miles & Associates, CPAs

April 19, 2006

Management's Discussion and Analysis

As management of the Ouray Park Water Improvement District (the District), we offer readers of the District's financial statements this narrative overview and analysis of financial activities of the District for the fiscal year ended December 31, 2005.

Financial Highlights

- Assets exceeded liabilities at closest year-end: $\$424,734 - \$69,600 = \$355,134$. Of this amount, \$79,966 is unrestricted and available to meet the District's ongoing obligations. The unrestricted net asset balance of \$79,966 is 125% of the 2005 operating expenses.
- Unrestricted cash decreased \$8,712.
- Restricted cash increased \$213.
- Net assets decreased \$2,332.
- Unrestricted net assets increased \$10,818.
- Long-term and current portion of long-term debt decreased \$0.
- The District's total assets of \$424,734 were 21% unrestricted cash and accounts receivable.
- Current assets increased \$9,143 or 12%.
- Current liabilities increased \$656 or 8%.
- Current assets less current liabilities was \$76,246 in 2005 and \$67,759 in 2004; an increase of \$8,487.
- Fixed assets net of accumulated depreciation decreased \$11,032 or 4%.
- Net fixed assets net of related debt decreased \$11,032 or 4%.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise two components: 1) fund financial statements for a proprietary fund type (business-type activity), and 2) notes to the financial statements.

Fund financial statements—A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Fund financial statements can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds. This District is a proprietary fund only.

Proprietary funds—There are two types of proprietary funds: enterprise and internal service funds. The District maintains only one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The District uses an enterprise fund to account for its operation of the Ouray Park Water Improvement District.

Proprietary funds provide the same type of information as government-wide financial statements, only in more detail. The proprietary fund financial statements provide information on the operation of the District. This fund is the District's only major fund. Because the District's only reporting unit is a proprietary fund and the reporting format is similar to government-wide reporting the presentation of government-wide financials statements are not required and are not necessary.

The basic proprietary fund financial statements can be found on the pages listed in the table of contents.

Notes to the financial statements—The notes provide additional information that is essential to a full understanding of the data provided in the fund financial statements. The notes to the financial statements can be found on the pages listed in the table of contents.

Financial Analysis of the Proprietary Fund

Net assets may serve over time as a useful indicator of a government's financial position. Assets exceeded liabilities by \$355,134 at the close of the most recent fiscal year.

The District's net assets are comprised of three components:

- Unrestricted net assets are 22% of the total. Unrestricted net assets may be used to meet the government's ongoing obligations to citizens and creditors.
- Restricted net assets are 3% of the total. Restricted net assets comprise balances that have been restricted to legislation, debt covenants, and other legal requirements.
- Capital assets (e.g., machinery, equipment, etc.) comprised 75% of total net assets, less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay any debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate any liabilities.

Net Assets	2005	2004
Current assets	\$ 85,468	\$ 76,325
Restricted cash	11,670	11,457
Net capital assets	327,596	338,628
Total assets	424,734	426,410
Current liabilities	9,222	8,566
Long-term liabilities	60,378	60,378
Total liabilities	69,600	68,944
Net assets:		
Invested in capital assets, net of related debt	263,498	274,530
Restricted	11,670	11,457
Unrestricted	79,966	71,479
Total net assets	\$ 355,134	\$ 357,466

The District's net assets decreased by \$2,332 in the most recent fiscal year. Key elements of this decrease are as follows:

<u>Change in Net Assets</u>	<u>2005</u>	<u>2004</u>
Revenues:		
Water sales	\$ 48,297	\$ 38,413
Connection fees	-	5,000
Miscellaneous	63	2,360
Property taxes	11,708	9,574
Interest earnings	1,586	1,211
Total revenues	61,654	56,558
Expenses:		
Wages & benefits	6,560	6,559
Water purchases	16,660	15,259
Operations	28,401	40,893
Interest	1,333	1,409
Depreciation	11,032	11,032
Total expenses	63,986	75,152
Increase (decrease) in net assets	<u>\$ (2,332)</u>	<u>\$ (18,594)</u>

The District's water sales increased due because of increased usage and a 15% increase in customer minimum fee. Operations expense decreased significantly because of significant repair and maintenance projects in the prior year.

The available cash resources of the District increased because cash flow from operations was sufficient to cover the loan payment and operating costs. The District's current assets are still greater than all liabilities, but this ratio dropped a bit during the most recent year due to depreciation of the water distribution system. The District increased its fees effective for the year 2005.

Fund Budgetary Highlights

	<u>Original</u>	<u>Amended</u>	<u>Actual</u>
Revenues	\$ 67,034	\$ 67,034	\$ 61,654
Expenses	(75,613)	(75,613)	(63,986)
Net Income	<u>\$ (8,579)</u>	<u>\$ (8,579)</u>	<u>\$ (2,332)</u>

Capital Asset and Debt Administration

Capital assets—The District did not increase its investment in capital assets for the most recent year ending December 31, 2005. Accumulated depreciation increased \$11,032. Therefore, the net book value of investment in capital assets also decreased by the same amount of \$11,032.

<u>Net Capital Assets</u>	<u>2005</u>	<u>2004</u>
Office equipment	\$ -	\$ -
Buildings	-	-
Water system	327,596	338,628
Total (net of depreciation)	<u>\$ 327,596</u>	<u>\$ 338,628</u>

Long-term debt—The District's long-term liability activity during the year is as follows:

<u>Long-term Debt</u>	<u>2004</u>	<u>Increase</u>	<u>Decrease</u>	<u>2005</u>	<u>Current Portion</u>
Rev. Bond, Utah Div. of Finance	\$ 64,098	\$ -	\$ -	\$ 64,098	\$ 3,720

Economic Factors and Next Year's Budgets and Rates

The District has budgeted total revenues for \$67,974 and total expenses for \$76,554. Budgeted revenues are about 11% higher than 2005's actual revenues. Budgeted expenses are about 20% more than 2005's actual expenses. There are some significant differences between the fiscal year 2005 budget and the 2004 actual:

- 18% increase in water sales revenues due to water usage increases.
- 10% increase in operating expenses because significant repairs vary from year to year.

Property taxes are budgeted to receive slightly less than the prior year; however, there has been no change in the certified rate.

Requests for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Ouray Park Water Improvement District, Attn: Lisa Frost, HC 69 Box 127, Randlett, Utah, (435) 545-2415.

Ouray Park Water Improvement District
STATEMENT OF NET ASSETS
December 31, 2005 and 2004

	2005	2004
Assets		
Current Assets:		
Cash	\$ 27,827	\$ 20,336
Savings	53,968	52,747
Accounts receivable, net	2,773	2,342
Property tax receivable	-	-
Inventory	900	900
Total Current Assets	85,468	76,325
Fixed Assets:		
Office equipment	1,787	1,787
Building	400	400
Water system	551,663	551,663
Less: Accumulated depreciation	(226,254)	(215,222)
Net Fixed Assets	327,596	338,628
Other Assets:		
Restricted cash	11,670	11,457
Total Other Assets	11,670	11,457
Total Assets	\$ 424,734	\$ 426,410
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable	\$ 2,674	\$ 4,846
Accrued interest	1,333	-
Deferred water customer revenues	1,495	-
Current portion, long-term debt	3,720	3,720
Total Current Liabilities	9,222	8,566
Current Liabilities:		
Long-term debt, revenue bond	60,378	60,378
Total Long-term Liabilities	60,378	60,378
Total Liabilities	69,600	68,944
Net Assets:		
Invested in capital assets, net of related debt	263,498	274,530
Restricted	11,670	11,457
Unrestricted	79,966	71,479
Total Net Assets	355,134	357,466
Total Liabilities and Net Assets	\$ 424,734	\$ 426,410

Ouray Park Water Improvement District
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
Years ending December 31, 2005 and 2004

	<u>2005</u>	<u>2004</u>
Operating Income:		
Water sales	\$ 48,297	\$ 38,413
Miscellaneous	63	2,360
Hook-up sales	-	5,000
Total Operating Income	<u>48,360</u>	<u>45,773</u>
Operating Expenses:		
Water purchases	16,660	15,259
Salaries and wages	6,560	6,559
Operation and maintenance	20,780	34,280
Utilities	1,398	1,485
Depreciation	11,032	11,032
Accounting and legal fees	1,864	2,021
Insurance	2,313	2,236
Interest	1,333	1,409
Water sampling	630	670
Bank charges	166	201
Miscellaneous	1,250	-
Total Operating Expenses	<u>63,986</u>	<u>75,152</u>
Operating Income/(Loss)	<u>(15,626)</u>	<u>(29,379)</u>
Nonoperating Income (Expenses):		
Property taxes	11,708	9,574
Interest income	1,586	1,211
Grants	-	-
Total Nonoperating Income/(Expense)	<u>13,294</u>	<u>10,785</u>
Net Income/(Loss)	<u>(2,332)</u>	<u>(18,594)</u>
Net assets--beginning of year	<u>357,466</u>	<u>376,060</u>
Net assets--end of year	<u>\$ 355,134</u>	<u>\$ 357,466</u>

Ouray Park Water Improvement District
STATEMENT OF CASH FLOWS
Years ending December 31, 2005 and 2004

	<u>2005</u>	<u>2004</u>
Cash Flows from Operating Activities:		
Cash received from water sales	\$ 49,424	\$ 40,380
Cash received from hook-ups	-	5,000
Cash paid to suppliers and vendors	(47,500)	(56,862)
Cash paid to employees and board	(6,293)	(6,559)
Interest paid	-	(1,409)
Net Cash Flow Provided by (used in) Operations	<u>(4,369)</u>	<u>(19,450)</u>
Cash Flows from Investing Activities:		
Interest received	1,586	1,363
Equipment and machinery	-	-
Water system	-	-
Net Cash Flow Used By Investing	<u>1,586</u>	<u>1,363</u>
Cash Flows from Financing Activities:		
Loan payments	-	(3,645)
Net Cash Flow Used By Financing	<u>-</u>	<u>(3,645)</u>
Cash Flows from Non Financing Activities:		
Grants	-	-
Property tax received	11,708	13,834
Net Cash Flow From Non-Financing	<u>11,708</u>	<u>13,834</u>
Net increase (decrease in cash)	8,925	(7,898)
Cash balance, beginning of year	<u>84,540</u>	<u>92,438</u>
Cash balance, end of year	<u>\$ 93,465</u>	<u>\$ 84,540</u>
Reconciliation of Direct Method for		
Cash Flows from Operating Activities:		
Operating Income (loss)	\$ (15,626)	\$ (15,626)
Reconciliation of net income (loss) to net cash:		
Depreciation	11,032	11,032
(Increase)/decrease in inventory	-	-
(Increase)/decrease in receivables & deferred revenues	1,064	(393)
Increase/(decrease) in accounts payable	(2,172)	(710)
Increase/(decrease) in accrued interest	1,333	-
Net Cash Flows Provided/(Used) by Operations	<u>\$ (4,369)</u>	<u>\$ (5,697)</u>

Ouray Park Water Improvement District
Notes to Financial Statements
December 31, 2005

NOTE 1 Summary of Significant Accounting Policies

Reporting Entity—The accounting policies of Ouray Park Water Improvement District conform to generally accepted accounting principles as applicable to governmental units. The District has no component units and is not a component unit of another entity according to the standards set forth by GASB No. 14. The following is a summary of the more significant policies.

Government-Wide and Fund Financial Statements—The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of the interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent of fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privilege provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation—The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 30 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The District reports only one proprietary fund for which presentation is similar to the government-wide format. Therefore, only proprietary enterprise fund format will be reported in the financial statements.

Ouray Park Water Improvement District
Notes to Financial Statements
December 31, 2005

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District are operating receipts from the sale of water and water hook-ups.

Application of Accounting Pronouncements—Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The District has elected not to follow subsequent private-sector guidance.

Deposits and Investments—The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the government to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements, and the State Treasurer's Investment Pool. The State Treasurer's Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

Receivables and Payables—All trade and property tax receivables are shown net of an allowance for uncollectibles. Trade accounts receivable in excess of 90 days comprise the trade accounts receivable allowance for uncollectibles.

Property Taxes—The property tax revenue of the District is collected and distributed by Duchesne County. Utah statutes establish the process by which taxes are levied and collected. The County Assessor is required to assess real property as of January 1 and complete the tax rolls by May 15. By July 21, the County Auditor is to mail assessed value and tax notices to property owners. A taxpayer may then petition the County Board of Equalization between August 1 and August 15 for a revision of the assessed value. The County Auditor makes approved changes in assessed value by November 1 and on this same date the County Auditor is to deliver the completed assessment rolls to the County Treasurer. Tax notices are mailed with a due date of November 30. The tax assessments are considered past due January 15 after the respective tax billing date, at which time the applicable property is subject to lien, and penalties and interest are assessed.

Utah State legislation requires motor vehicles be subject to an age based fee that is due each time a vehicle is registered. The age based fee is for passenger type vehicles and ranges from \$10 to \$150 based on the age of the vehicle. The revenues collected in each County from motor vehicle fees is distributed by the County to each taxing entity in which the property is located in the same proportion in which revenue collected from ad valorem real property tax is distributed. The District recognizes motor vehicle fees as property tax revenue when collected by the County.

Inventories and Prepaid Items—All inventories are valued at cost using the first-in/first-out method. Inventories of proprietary funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Ouray Park Water Improvement District
Notes to Financial Statements
December 31, 2005

Restricted Assets—At times, the District may have funds set aside that are legally restricted or their use is limited by certain contracts. Restricted funds will be expended first when possible.

Capital Assets—Capital assets, which include property, plant, equipment, and infrastructure, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual significant cost and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the primary government, as well as the component units if any, is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Water system	40-50
Buildings	15-40
Equipment	7-8
Vehicles	5
Office equipment	5

Compensated Absences—The District's policy is to permit employees to accumulate earned but unused personal leave and sick leave benefits. There is no liability for unpaid accumulated sick leave since it is the District's policy to record the cost of sick leave only when it is used. Vacation time is accrued when incurred and reported as a liability at that time.

Long-term Obligations—In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity—In the fund financial statements, proprietary funds report equity in a manner similar to the government-wide statements.

Use of Estimates—The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Ouray Park Water Improvement District
Notes to Financial Statements
December 31, 2005

Budgetary Data—Budgets are presented on the modified accrual basis of accounting for all governmental funds of the District. The following procedures are used in establishing the budgetary data:

- During November and December of each year, the District prepares the budget.
- The budget shall be in effect subject to later amendment and shall be available for public inspection.
- Public advertising and public budget hearings are conducted to comply with Utah State law.
- By December 15, the budget is legally and formally adopted by the Board.
- The Board may increase (amend) the total budget by repeating the public advertising and public budget hearings.

NOTE 2 Cash & Investments

The State of Utah Money Management Council has the responsibility to advise the State Treasurer about investment policies, promote measures and rules that will assist in strengthening the banking and credit structure of the State and review the rules adopted under the authority of the State of Utah Money Management Act that relate to the deposit and investment of public funds.

The Town follows the requirements of the Utah Money Management Act (Utah Code, Section 51, Chapter 7) in handling its depository and investment transactions. The Act requires the depositing of Town funds in a qualified depository. The Act defines a qualified depository as any financial institution whose deposits are insured by an agency of the Federal Government and which has been certified by the State Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

Summary of Deposits and Investments

Reconciliation to the Balance Sheet			
Balance Sheet		Deposits & Investments	
Cash	\$ 27,827	Checking	\$ 27,786
Savings	53,968	Petty cash	40
Cash restricted	11,670	Money Market	7,551
Totals	<u>\$ 93,465</u>	C.D.s	58,088
		Totals	<u>\$ 93,465</u>

Deposits

Custodial Credit Risk—Custodial credit risk is the risk that, in the event of a bank failure, the Town's deposits may not be returned to it. The Town does not have a formal deposit policy for custodial credit risk. As of December 31, 2005, \$0 of the Town's bank balances of \$94,787 (carrying balance of \$93,465) was uninsured and uncollateralized.

Investments

The Money Management Act defines the types of securities authorized as appropriate investments for the Town and the conditions for making investment transactions. Investment transactions may be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities.

Ouray Park Water Improvement District
Notes to Financial Statements
December 31, 2005

Statutes authorize the Town to invest in negotiable or nonnegotiable deposits of qualified depositories and permitted negotiable depositories; repurchase and reverse repurchase agreements; commercial paper that is classified as "first tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investors Services or Standard & Poor's; bankers' acceptances; obligations of the United State Treasury including bills, notes, and bonds; bonds, notes, and other evidence of indebtedness of political subdivisions of the State; fixed rate corporate obligations and variable rate securities rated "A" or higher, or the equivalent of "A" or higher, by two nationally recognized statistical rating organizations; shares or certificates in a money market mutual fund as defined in the Act; and the Utah State Public Treasurer's Investment Fund.

As of December 31, 2005, the Town had no investment activity.

NOTE 3 Long-term Debt

Ouray Park Water Improvement has the following long-term obligations:

Note A Revenue Bond, Utah Division of Finance, original loan March 30, 2000 for \$82,000, 2.08 percent, matures January 1, 2020.

<u>Long-term Debt</u>	<u>2004</u>	<u>Increase</u>	<u>Decrease</u>	<u>2005</u>	<u>Current Portion</u>
Note A	\$ 67,743	\$ -	\$ (3,645)	\$ 64,098	\$ 3,720

<u>Schedule of Payments</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
	\$ 3,720	\$ 1,333	\$ 5,054
	3,798	1,256	5,054
	3,877	1,177	5,054
	3,957	1,096	5,054
	4,040	1,014	5,054
	4,124	930	5,054
	4,210	844	5,054
	4,297	757	5,054
	4,386	667	5,054
	4,478	576	5,054
	4,571	483	5,054
	4,666	388	5,054
	4,763	291	5,054
	4,862	192	5,054
	4,350	90	4,440
	<u>\$ 64,098</u>	<u>\$ 11,093</u>	<u>\$ 75,191</u>

Ouray Park Water Improvement District
Notes to Financial Statements
December 31, 2005

NOTE 4 Fixed Asset Activity

<u>Fixed Asset Activity</u>	<u>2004</u>	<u>Increase</u>	<u>Decrease</u>	<u>2005</u>
Office equipment	\$ 1,787	\$ -	\$ -	\$ 1,787
Building	400	-	-	400
Water system	551,663	-	-	551,663
Sub-total	553,850	-	-	553,850
Accumulated depreciation	(215,222)	(11,032)	-	(226,254)
Fixed assets net of depreciation	<u>\$ 338,628</u>	<u>\$ (11,032)</u>	<u>\$ -</u>	<u>\$ 327,596</u>

Note 5 Exposures to Risks of Loss

The District minimizes its exposure to risks of loss through the purchase of commercial insurance. The District considers uninsured exposure to risks of loss as immaterial.

Note 6 Restricted Net Assets and Restricted Cash

The District has restricted cash for the purpose of debt payment reserve in the amount of \$11,670. This restricted cash is held in separate C.D.s in the District's name.

Note 7 Accounts Receivable

<u>Balances</u>	<u>2005</u>	<u>2004</u>
Accounts receivable	\$ 2,773	\$ 2,342
Less allowance for doubtful accounts	-	-
Net accounts receivable	2,773	2,342
Accrued interest receivable	-	-
Property tax receivable	-	-
Total net receivables	<u>\$ 2,773</u>	<u>\$ 2,342</u>

Ouray Park Water Improvement District
 Supplementary Schedule
BUDGET COMPARISON
 Year ending December 31, 2005

	Actual	Budget	Variance
Operating Income:			
Water sales	\$ 48,297	\$ 51,634	\$ (3,337)
Miscellaneous	63	100	(37)
Hook-up sales	-	5,000	(5,000)
Total Operating Income	48,360	56,734	(8,374)
Operating Expenses:			
Water purchases	16,660	28,000	11,340
Salaries and wages	6,560	6,560	-
Operation and maintenance	20,780	15,320	(5,460)
Utilities	1,398	1,500	102
Depreciation	11,032	12,300	1,268
Accounting and legal fees	1,864	3,000	1,136
Insurance	2,313	3,200	887
Interest	1,333	1,333	-
Water sampling	630	800	170
Bank charges	166	-	(166)
Miscellaneous	1,250	3,600	2,350
Total Operating Expenses	63,986	75,613	11,627
Operating Income/(Loss)	(15,626)	(18,879)	3,253
Nonoperating Income (Expenses):			
Property taxes	11,708	9,300	2,408
Interest income	1,586	1,000	586
Grants	-	-	-
Total Nonoperating Income/(Expense)	13,294	10,300	2,994
Net Income/(Loss)	<u>\$ (2,332)</u>	<u>\$ (8,579)</u>	<u>\$ 6,247</u>



AYCOCK, MILES & ASSOCIATES, CPAs, P.C.

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**Report on Compliance and on Internal Control over Financial Reporting Based
on an Audit of Financial Statements Performed in Accordance
with Government Auditing Standards**

Board of Directors
Ouray Park Water Improvement District

We have audited the financial statements of Ouray Park Water Improvement District as of and for the year ended December 31, 2005, and have issued our report thereon dated April 19, 2006. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Ouray Park Water Improvement District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Ouray Park Water Improvement District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information and use of the audit committee, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Aycock, Miles & Associates, CPAs

April 19, 2006



AYCOCK, MILES & ASSOCIATES, CPAs, P.C.

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State Compliance Report

Board of Directors
Ouray Park Water Improvement District
Randlett, Utah

We have audited the general purpose financial statements of Ouray Park Water Improvement District, Randlett, Utah, for the year ended December 31, 2005 and have issued our report thereon dated April 19, 2006. Our audit included testwork on the District's compliance with those general compliance requirements identified in the State of Utah Legal Compliance Audit Guide, including:

- Public Debt
- Cash Management
- Purchasing Requirements
- Budgetary Compliance
- Property Tax
- Other Compliance Requirements

The District received no major or nonmajor assistance from the State of Utah.

The management of Ouray Park Water Improvement District is responsible for the District's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed no instances of noncompliance with the general requirements referred to above and the applicable major grant specific requirements.

In our opinion, the Ouray Park Water Improvement District, Randlett, Utah, complied, in all material respects, with the general compliance requirements identified above and major grant specific requirements for the year ended December 31, 2005.

Aycock, Miles & Associates, CPAs

April 19, 2006